



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 10, 2012

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **EAST VALLEY COMMUNITY HEALTH CENTER, INC. – A  
DEPARTMENT OF PUBLIC HEALTH HIV/AIDS CARE AND  
PREVENTION SERVICE CONTRACT PROVIDER – FISCAL REVIEW**

We completed a fiscal review of East Valley Community Health Center, Inc. (East Valley or Agency). The County Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) contracts with East Valley, a non-profit organization, to provide HIV/AIDS outpatient medical care, oral health care, mental health psychiatry and psychotherapy services, non-medical case management services, risk reduction and prevention outreach services, and mobile HIV testing. Our review covered a sample of transactions from January 2010 through September 2011.

Our review was intended to determine whether the Agency provided services to eligible clients, and spent Program funds in accordance with their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with the contract and applicable guidelines.

At the time of our review, East Valley had five cost-reimbursement contracts, one fee-for-service contract, and one contract with both cost-reimbursement and fee-for-service components with DHSP. DHSP paid the Agency approximately \$3 million from January 2010 through September 2011. The Agency provides services to individuals in the First, Fourth, and Fifth Supervisorial Districts.

### **Results of Review**

East Valley recorded and deposited payments from DHSP timely, and maintained the required personnel records. However, the Agency did not comply with all of the County contract requirements. Specifically, East Valley:

- Inappropriately billed DHSP \$23,105 for expenditures that were not supported by adequate documentation or were unallowable. Specifically, East Valley charged DHSP \$10,930 for lease costs for a facility that was not used for the DHSP Program; charged DHSP \$11,640 (\$8,647 + \$2,993) for various expenditures that were not supported by adequate documentation; and charged DHSP twice for \$535 in laboratory test fees.

*East Valley's attached response indicates that they will repay DPH \$23,105.*

- Did not have documentation to support two (10%) of 20 clients' eligibility for DHSP services.

*East Valley's attached response indicates that management has re-trained staff on the need to obtain complete eligibility information.*

- Did not prepare its Cost Allocation Plan in compliance with the County contract.

*East Valley's attached response indicates that their allocations are based on actual direct salaries at the time the budget is prepared. However, the Agency's Cost Allocation Plan indicates that the allocation rates should be calculated based on budgeted direct program staff, and not actual direct staff.*

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with East Valley and DHSP. The Agency's attached response indicates that they generally agree with our findings and recommendations. DHSP indicated they will work with East Valley to ensure our recommendations are implemented.

We thank East Valley for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA

Attachment

- c: William T Fujioka, Chief Executive Officer  
Jonathan E. Fielding, Director, M.D., M.P.H, Department of Public Health  
East Valley Community Health Center, Inc.  
Sophia Chavira, Chairperson, Board of Directors  
Alicia Mardini, Chief Executive Officer  
Public Information Office  
Audit Committee

**EAST VALLEY COMMUNITY HEALTH CENTER, INC.  
HIV/AIDS CARE AND PREVENTION SERVICES  
JANUARY 2010 TO SEPTEMBER 2011**

**ELIGIBILITY**

**Objective**

Determine whether East Valley Community Health Center, Inc. (East Valley or Agency) provided services to clients who met the Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) Program eligibility requirements.

**Verification**

We reviewed the case files for 20 clients who received services from January 2010 to August 2011 for documentation of their eligibility for DHSP services.

**Results**

The case files for two (10%) of the 20 clients did not contain documentation to support their eligibility for DHSP services. One of the case files did not have residency or income verification, and one case file did not have income verification.

**Recommendation**

1. **East Valley management ensure Agency staff obtain documentation to support clients' eligibility.**

**CASH/REVENUE**

**Objective**

Determine whether East Valley had adequate controls to ensure cash receipts and revenue were recorded in the Agency's financial records properly, cash receipts were deposited into the Agency's bank account timely, and bank account reconciliations were reviewed and approved by Agency management.

**Verification**

We interviewed Agency's personnel, and reviewed their financial records and September 2011 bank reconciliation.

**Results**

East Valley recorded revenue in their financial records properly, deposited DHSP payments into the Agency's bank account timely, and prepared monthly bank reconciliations appropriately.

**Recommendation**

**None.**

**COST ALLOCATION PLAN**

**Objective**

Determine whether the Agency prepared its Cost Allocation Plan (Plan) in compliance with the County contract, and used the Plan to allocate shared costs appropriately.

**Verification**

We reviewed East Valley's Plan, and a sample of shared costs the Agency incurred from September 2010 through June 2011.

**Results**

East Valley's Plan was not prepared in compliance with the County contract. Specifically, the Agency's Plan used an unallowable method (budgeted staff) to allocate shared expenditures.

**Recommendation**

- 2. East Valley management develop a Cost Allocation Plan that complies with the County contract.**

**EXPENDITURES**

**Objective**

Determine whether expenditures charged to the DHSP Program were allowable under the County contract, properly documented, and accurately billed.

**Verification**

We interviewed Agency personnel, and reviewed financial records for 33 non-payroll expenditures, totaling \$56,208, that the Agency charged to the DHSP Program from September 2010 through June 2011.

**Results**

East Valley inappropriately charged DHSP \$20,112 (36%) for nine expenditures that were not supported by adequate documentation or were not allowable. Specifically, East Valley charged DHSP:

- \$10,930 in lease costs for a facility that was not used for the DHSP Program.
- \$8,647 for various costs (e.g. laboratory, office supplies, etc.) that were not supported by invoices or receipts.
- \$535 for laboratory costs that had already been billed to the DHSP Program.

**Recommendations**

**East Valley management:**

3. Repay DPH \$20,112, or provide documentation to support the expenditures.
4. Maintain adequate documentation to support Program expenditures.

**PAYROLL AND PERSONNEL**

**Objective**

Determine whether East Valley charged payroll expenditures to the DHSP Program appropriately, and maintained personnel files as required.

**Verification**

We traced the payroll expenditures for ten employees, totaling \$25,482, from July 2011 to the Agency's payroll records and time reports. We also reviewed the personnel files for DHSP Program staff.

**Results**

East Valley appropriately charged payroll costs to the DHSP Program, and had personnel files as required by the County contract.

**Recommendation**

**None.**

**COST REPORTS**

**Objective**

Determine whether the Agency's Cost Reports reconciled to the accounting records.

**Verification**

We traced the Agency's Cost Reports to the Agency's accounting records for the period of March 2010 to June 2011.

**Results**

East Valley's Cost Reports did not reconcile to their accounting records. Specifically, the Agency's accounting records did not support \$2,993 in expenditures that were included in their Cost Reports.

**Recommendation**

5. East Valley management repay DPH \$2,993.



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April 24, 2012

Ms. Wendy Watanabe  
Auditor-Controller  
County of Los Angeles  
500 West Temple Street, Room 525  
Los Angeles, CA 90012-3873

Dear Ms. Watanabe:

In response to the contract review findings for the January 2010 – September 2011 OAPP HIV/AIDS contracts with Los Angeles County Department of Public Health (DPH), following are East Valley Community Health Center's responses:

**1. Eligibility**

*Recommendation:*

- East Valley management ensures Agency staff obtains the appropriate documentation to support clients' eligibility.

*Management Response:*

- The Director of Operations has conducted in-service trainings to reinforce the need to obtain complete information from the patients.

**2. Cost Allocation Plan**

*Recommendation:*

- East Valley management develops a Cost Allocation Plan that complies with the County contract.

*Management Response:*

- The subject of time allocation is an ongoing one and one which there will be continued debate. In the Cost Allocation Plan section of the report, it is noted that EVCHC used program budgets to allocate costs. That is not quite an accurate statement. The allocation is based on actual direct salaries at the time the budget is prepared. This process will be repeated each quarter and, if necessary, the allocation plan will be amended. Auditors and DHSP Finance staff have reviewed this change and have accepted/approved it.

**3. Expenditures**

*Recommendation:*

- Repay DPH \$20,112 (\$10,930 + \$8,647 + \$535) or provide documentation to support the expenditures.
- Maintain adequate documentation to support Program expenditures.

*Management Response:*

- East Valley has accepted all findings.

*OUR MISSION:*

*To provide quality and accessible comprehensive health care and health education services to the low-income and underserved populations of the East San Gabriel and Pomona Valleys.*

[www.evchc.org](http://www.evchc.org)



Ms. Wendy Watanabe  
April 24, 2012  
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4. **Cost Reports**

*Recommendation:*

- East Valley management repays DPH \$2,993.

*Management Response:*

- East Valley has accepted this finding.

We would like to take a moment to note the professionalism, competency and thoroughness of this year's auditors. It was a pleasure working with them.

Sincerely,

A handwritten signature in black ink, appearing to read "Alicia Mardini".

Alicia Mardini  
Chief Executive Officer